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TAGS: [IR](#) [AZ](#) [PREL](#) [ECON](#) [EAID](#) [IZ](#) [AF](#) [GM](#)
SUBJECT: DAS GARBER'S DISCUSSION WITH GERMAN ECONOMIC
OFFICIALS ON IRAN, IRAQ, AND AFGHANISTAN

REF: STATE 115523

Classified By: Political Minister Counselor Jeffrey Rathke for reasons:
1.4 (B) AND (D).

¶1. (C) SUMMARY: EUR Deputy Assistant Secretary Judith Garber on October 22 met with Ministry of Economics officials to discuss Iran, Iraq, and Afghanistan. Deputy Director General of Foreign Trade Law and Export Control Karl Wendling and Head of North Africa and Near and Middle East Division Juegen Friedrich stated that sanctions against Iran were working, and that Germany may be open to less-targeted sanctions, which could have an effect on the broader Iranian economy. Wendling and Friedrich had just returned from a trade delegation to Iraq, which they described as "successful" given that German businesses signed several agreements during the trip. Friedrich lamented the lack of an economic strategy for Afghanistan and provided the German assessment that economic reconstruction in Afghanistan faces more difficulty than in Iraq. END SUMMARY

IRAN

¶2. (C) Although cast as an orientation visit for DAS Garber, Wendling challenged DAS Garber for an explanation of why U.S. exports to Iran have risen so much in the last 10 years. DAS Garber explained that the percentage increase is deceptive, as it is an increase from a very small base. Econoff added that the exports were of humanitarian items, including agricultural products and medical products and devices.

¶3. (C) Appearing satisfied with DAS Garber's answer, Wendling then added that any increase in Germany's exports to Iran can also be explained. First, he asserted, Iran is importing more raw materials and as commodity prices have increased, the quantity of German exports has not increased, only their value. Second, he attributes the increase in value of German exports to Iran to "currency fluctuations." He said that he expects Germany's trade with Iran to decrease following the introduction of the new Financial Action Task Force (FATF) statement on Iran, linking it to UNSCR 1803's call for vigilance over banks with ties to Iran's missile programs (see reftel).

¶4. (C) When DAS Garber asked for Germany's assessment of the impact of Iran sanctions, Friedrich opined that they were working, but noted the recent announcement of cooperation between Iran, Russia and Qatar on natural gas reflects "the reality" that sanctions can only go so far. Friedrich stated that the sanctions are hurting both Iranian traders and industry. He also noted that the sanctions were a factor in the increased value of German exports to Iran, as the Iranians have to pay more. (Comment: How sanctions affect the relative scarcity - and the price - of goods being exported from Germany to Iran is not clear.) He stated that the sanctions' effect on the Iranian economy made the Iranian government's plan to implement a 3% Value Added Tax politically impossible at the moment.

¶5. (C) Wendling then asserted that this might not be the best time to move against the Iranian oil sector, as it will cause oil prices to rise, possibly exacerbating the current financial crisis. DAS Garber disagreed on the basis that overall world oil demand was down.

¶6. (C) In response to DAS Garber's question, Wendling gave his readout of the most recent P5 1 discussion on Iran. He expressed surprise at China's negativity, but none at Russia's position. Friedrich stated that Germany could accept some new sanctions against Iran that are less targeted and might have an effect on the broader Iranian economy. Friedrich stated that Iran was asking for bids on a liquefied natural gas plant with an estimated value of \$1.4 billion. He asserted there was "indirect bidding" by (unnamed) U.S. companies on the project. Friedrich also explained that, with respect to "civil goods" (non defense items), sanctions law must legally originate at the EU, making formal German unilateral action impossible.

IRAQ

¶7. (C) Friedrich shared that Germany had identified a roadmap for German investment into Iraq, and that German businesses remain highly interested in Iraq. Friedrich identified the improved security situation as a reason for businesses to revitalize their relationship with Iraq. Fifty companies took part in a recent trade delegation to Kurdistan, and some signed agreements during the trip according to Friedrich. Friedrich agreed that Germany should take a more active role in reconstruction and the development of civil society. Currently, Germany has identified agriculture as the most significant sector for investment in Iraq, in part because of

its influence on the social fabric and the development of civil society.

AFGHANISTAN

¶8. (C) Officials were more pessimistic on Afghanistan. Friedrich said that Allies have no economic vision for the country and face a more difficult situation given the "booming" drug industry and the lack of a natural resource such as oil. The lack of alternative crops that could generate as much income for farmers as opium poppy poses a challenge to economic development plans. Executive Officer of the Division for North Africa and Near and Middle East Bernhard Schroeder said Germany is interested in engaging on Afghanistan economic development but lacks a strategy. Friedrich confirmed that Germany was preparing a trade delegation to Afghanistan when two German soldiers were killed in an October 20 suicide attack in northern Afghanistan; due to the deaths, which reflect a deteriorating security situation, the delegation's visit is postponed until spring.

¶9. (U) This cable has been reviewed and approved by DAS Garber.
TIMKEN JR